

# MICHIGAN ECONOMIC INDICATORS

A newsletter on key economic indicators prepared by the Senate Fiscal Agency.

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## ECONOMIC HIGHLIGHTS

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- The advance estimate for **inflation-adjusted Gross Domestic Product (GDP)** showed growth of 3.1% in the fourth quarter of 2004, compared with 4.0% growth in the third quarter. Most of the slower rate of growth reflected a worsening U.S. trade position. Exports declined 3.9% while imports rose 9.1%; as a result, net trade flows reduced growth by more than 1.7 percentage points. In the third quarter, net trade flows lowered growth by only 0.1 percentage point. The contribution to growth from government remained essentially unchanged in the fourth quarter, while consumption was slightly weaker and investment slightly stronger. On an annual basis, inflation-adjusted GDP rose 4.4% in 2004, the strongest increase since 1999.
- December **motor vehicle sales** were at a seasonally adjusted annual rate of 18.9 million units, the strongest level since October 2001. December automobile sales rose 9.5% above year-ago levels, while light trucks sales were 2.3% higher and sales of heavy trucks grew 31.4%. Imported vehicles exhibited the strongest sales growth, with automobiles up 17.3% and light trucks 16.0% higher, compared with 6.7% and 0.4% growth for domestic vehicles, respectively.
- December 2004 **U.S. retail sales** rose 8.8% above the December 2003 level. Sales at gasoline stations increased the most, rising 21.8%, while nonstore retailers reported 14.3% sales growth and building material and garden stores exhibited a 13.2% increase. Department stores showed the weakest growth, with December 2004 sales only 1.3% above the level one year ago.
- U.S. **industrial production** rose 0.8% in December, an annual rate of 10.6%, and was 4.4% above the level in December 2003. Primary metals reported the strongest growth, followed by computer and electronic products. Among market groups, production of business equipment and defense/space-related equipment rose the most.



- The Michigan **unemployment rate** rose to 7.3% in December, from 7.0% in November and 6.6% in October. Both the number employed and the size of the labor force fell again in December, indicating that the unemployment rate would have been even higher had individuals not left the labor force. Despite December's employment decline, employment was 20,000 jobs above the level one year ago and the number of people unemployed was 16,000 lower.
- Despite weak-to-negative job growth, **average weekly earnings** rose in December in the wholesale trade and information sectors. These two sectors posted the most significant increases compared with year-ago levels, with earnings up 22.8% in the information sector and 10.7% in the wholesale trade sector.
- **Michigan wage and salary employment** fell by 15,000 in December and was 47,000 jobs below the level in December 2003. Only the manufacturing and financial activities sectors showed employment gains between November and December, of 4,000 and 1,000 jobs, respectively, although compared with year-ago levels these two sectors accounted for approximately 40% of the job loss.



DECEMBER 2004

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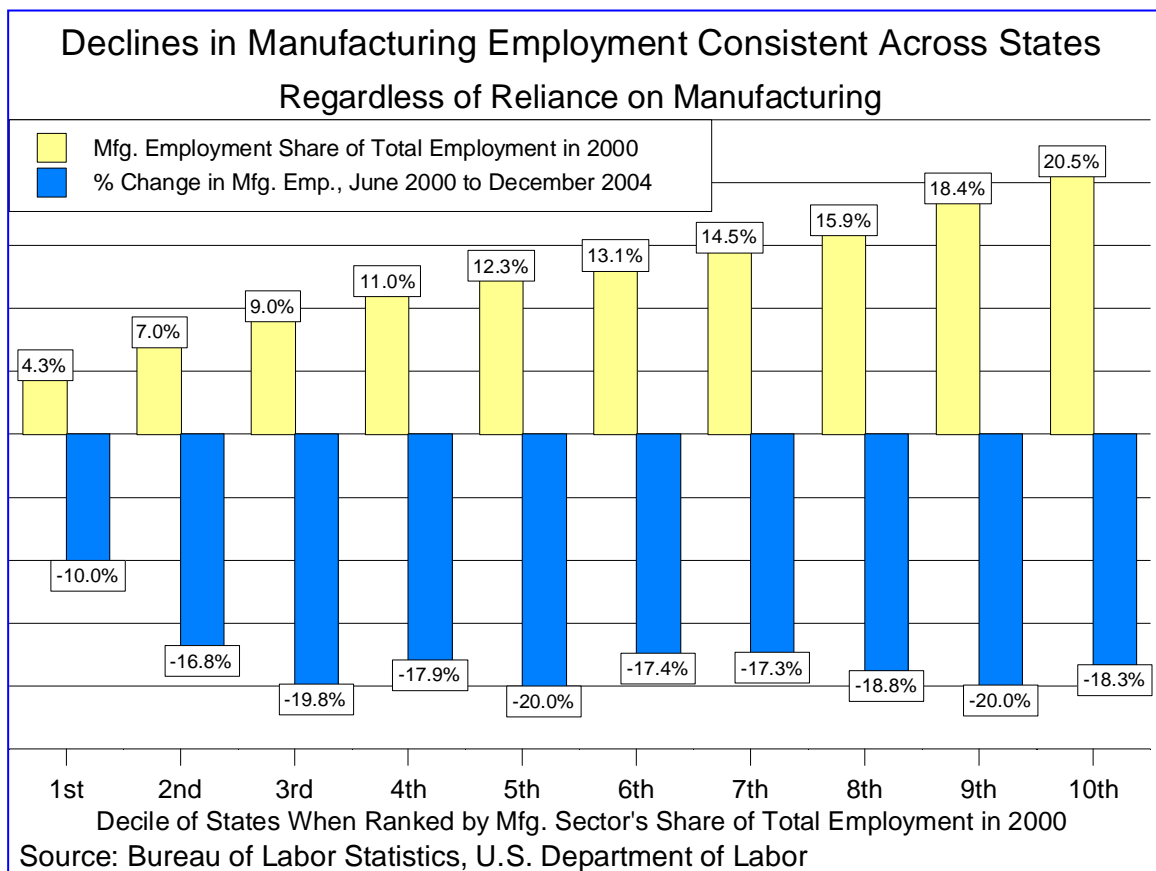
**U.S. & MICHIGAN LABOR MARKET NEWS**  
(Seasonally adjusted, thousands)

U.S.	Dec. 2004	Nov. 2004	Dec. 2003	Change from Nov.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	148,203	148,313	146,808	(110)	(0.1)%	1,395	1.0%
Employment	140,156	140,293	138,409	(137)	(0.1)	1,747	1.3
Unemployment	8,047	8,020	8,399	27	0.3	(352)	(4.2)
Unemployment Rate	5.4%	5.4%	5.7%	---	---	---	---

Michigan	Dec. 2004	Nov. 2004	Dec. 2003	Change from Nov.		Change from Year Ago	
				Number	Percent	Number	Percent
Labor Force	5,055	5,074	5,050	(20)	(0.4)%	4	0.1%
Employment	4,686	4,719	4,665	(33)	(0.7)	20	0.4
Unemployment	369	355	385	14	3.9	(16)	(4.2)
Unemployment Rate	7.3%	7.0%	7.6%	---	---	---	---

**Source:** Bureau of Labor Statistics, U.S. Department of Labor



<b>MICHIGAN WAGE AND SALARY EMPLOYMENT</b> (Seasonally adjusted, thousands)							
	<b>Dec. 2004*</b>	<b>Nov. 2004</b>	<b>Dec. 2003</b>	<u>Change from Nov.</u>		<u>Change from Yr Ago</u>	
				<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
<b>Total Nonagricultural Jobs</b>	4,345	4,361	4,392	(15)	(0)%	(47)	(1)%
<b>Goods Producing Industries</b>	897	895	916	2	0	(20)	(2)
Natural Resources & Mining	8	7	8	0	4	(0)	(3)
Construction	189	191	191	(3)	(1)	(3)	(1)
Manufacturing	700	696	717	4	1	(17)	(2)
Transportation Equipment	261	255	279	6	2	(18)	(6)
<b>Service Producing Industries</b>	3,449	3,466	3,475	(17)	(0)	(27)	(1)
Trade, Transportation & Utilities	795	796	808	(0)	(0)	(13)	(2)
Information	65	66	70	(1)	(1)	(5)	(7)
Financial Activities	216	215	219	1	0	(3)	(1)
Professional & Business Services	583	591	581	(9)	(1)	2	0
Education & Health Services	549	553	552	(4)	(1)	(3)	(1)
Leisure & Hospitality Services	395	395	398	(0)	(0)	(2)	(1)
Other Services	171	174	170	(3)	(2)	1	1
Government	675	677	678	(2)	(0)	(4)	(1)

**Source:** Bureau of Labor Statistics, U.S. Department of Labor \* Preliminary

<b>MICHIGAN AVERAGE WEEKLY HOURS AND EARNINGS</b>						
<b>Industry</b>	<u>Average Weekly Hours</u>			<u>Average Weekly Earnings</u>		
	<b>Dec. 2004</b>	<b>Year Ago</b>	<b>Percent Change</b>	<b>Dec. 2004</b>	<b>Year Ago</b>	<b>Percent Change</b>
Nat. Resources, Mining & Construction	37.1	37.1	0.0%	\$ 813.60	\$ 810.26	0.4%
Manufacturing	44.0	44.1	(0.2)	976.82	970.20	0.7
Durable Goods	45.1	45.2	(0.2)	1,058.95	1,068.98	(0.9)
Motor Vehicle Manufacturing	47.8	45.0	6.2	1,506.18	1,417.95	6.2
Motor Vehicle Parts Manufacturing	46.2	47.7	(3.1)	1,283.44	1,318.43	(2.7)
Nondurable Goods	39.7	39.5	0.5	609.79	587.37	3.8
Wholesale Trade	39.2	36.5	7.4	728.73	658.46	10.7
Retail Trade	30.4	29.7	2.4	347.17	327.59	6.0
Grocery Stores	23.9	24.5	(2.4)	214.38	221.97	(3.4)
General Merchandise Stores	30.2	29.5	2.4	307.74	293.82	4.7
Information	36.1	32.5	11.1	648.72	528.45	22.8
Financial Activities	33.3	34.3	(2.9)	553.78	545.03	1.6
Prof. & Business Services	34.7	34.0	2.1	610.03	559.30	9.1
Health Care & Social Assistance	35.2	33.9	3.8	542.08	536.64	1.0
Leisure & Hospitality	22.5	22.6	(0.4)	184.05	187.58	(1.9)
Auto. Repair & Maintenance	33.7	35.5	(5.1)	534.48	501.97	6.5
Personal & Laundry Services	27.7	27.8	(0.4)	350.13	341.38	2.6

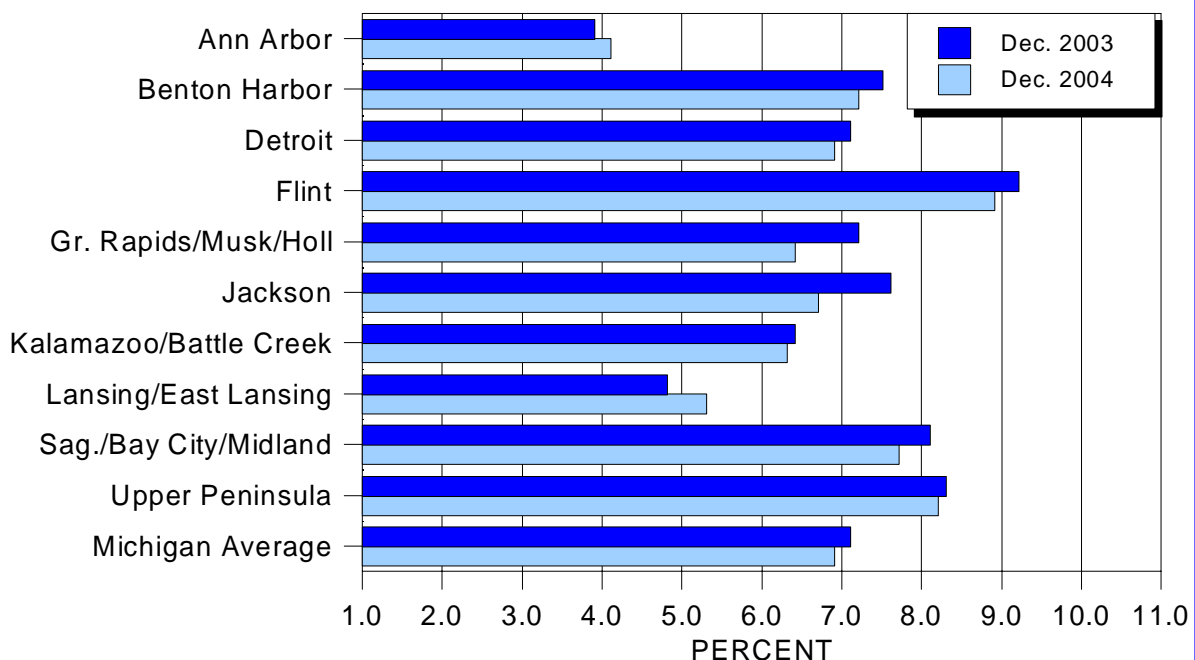
**Source:** Bureau of Labor Statistics, U.S. Department of Labor

**MICHIGAN UNEMPLOYMENT RATES  
BY SELECTED METROPOLITAN AREAS AND MULTI-COUNTY AREAS  
(Not Adjusted for Seasonal Variations)**

	Dec. 2004*	Nov. 2004	Oct. 2004	Dec. 2003
<b>Metropolitan Statistical Areas</b>				
Ann Arbor	4.1%	3.8%	3.5%	3.9%
Benton Harbor	7.2	6.6	6.1	7.5
Detroit	6.9	6.7	6.3	7.1
Flint	8.9	8.4	7.9	9.2
Grand Rapids	6.4	6.1	5.8	7.2
Jackson	6.7	6.4	6.0	7.6
Kalamazoo-Battle Creek	6.3	5.8	5.4	6.4
Lansing-East Lansing	5.3	6.2	5.9	4.8
Saginaw-Bay City-Midland	7.7	7.2	6.9	8.1
<b>Multi-County Areas</b>				
Northeast Lower Michigan	10.8	8.9	6.4	11.3
Northwest Lower Michigan	8.6	7.2	5.6	8.5
Upper Peninsula	8.2	6.7	4.9	8.3
<b>Michigan Statewide Average</b>				
-- Unadjusted (comparable to figures shown above)	6.9	6.5	6.0	7.1
<b>Source:</b> Michigan Department of Labor and Economic Growth				*Preliminary.

**Michigan Regional Unemployment Rates**

December 2003 and December 2004

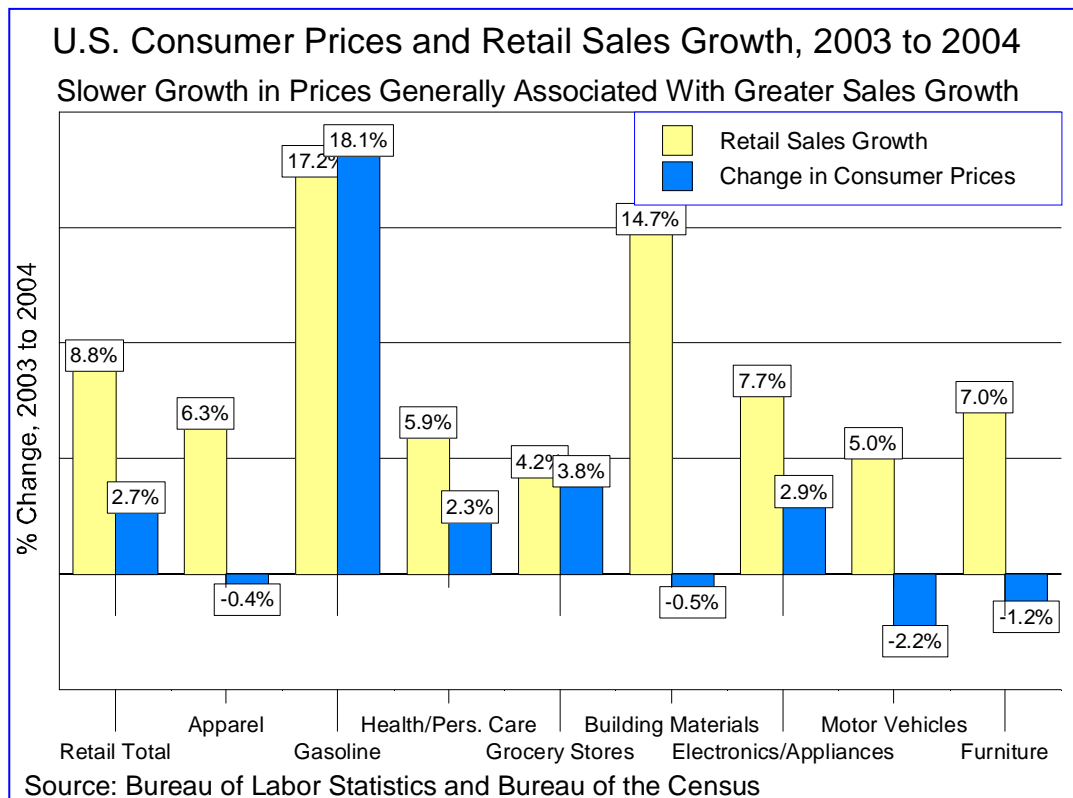


Source: Michigan Department of Labor and Economic Growth

**MOTOR VEHICLE SALES AND PRODUCTION STATISTICS  
(Thousands of Units)**

	Dec. 2004	Nov. 2004	Oct. 2004	Sept. 2004	Year Ago Dec.	Percent Change From:	
						Dec./Nov.	Dec. 2004/ Dec. 2003
<b>Motor Vehicle Sales<sup>1,2)</sup></b> <b>(thousands of units, SAAR)</b>							
Autos	8,293	7,401	7,537	7,331	7,576	12.1%	9.5%
Domestics	5,946	5,177	5,066	5,261	5,575	14.9	6.7
Imports	2,347	2,224	2,471	2,070	2,001	5.5	17.3
Import Share	28.3%	30.0%	32.8%	28.2%	26.4%	---	---
Light Trucks	10,053	9,007	9,385	10,133	9,830	11.6	2.3
Domestics	8,692	7,776	8,079	8,912	8,657	11.8	0.4
Imports	1,361	1,231	1,306	1,221	1,173	10.6	16.0
Import Share	13.5%	13.7%	13.9%	12.0%	11.9%	---	---
Heavy Trucks	527	460	463	446	401	14.6	31.4
Total	18,873	16,868	17,385	17,910	17,807	11.9	6.0
<b>U.S. Motor Vehicle Production<sup>1,2)</sup></b> <b>(millions of units, SAAR)</b>							
Autos	4,310	4,064	4,062	4,316	4,337	6.1	(0.6)
<b>Michigan Motor Vehicle Production<sup>2,3)</sup></b> <b>(thousands of units, SAAR)</b>							
Autos	1,415	1,045	1,148	1,234	1,677	35.4	(15.6)
Trucks	1,542	1,457	1,426	1,484	1,366	5.8	12.9
Total	2,957	2,502	2,573	2,719	3,043	18.2	(2.8)
Michigan Production as % of U.S.	23.7%	21.7%	22.9%	21.9%	23.9%	---	---
<b>U.S. Motor Vehicle Inventories<sup>4)</sup></b>							
Total Car	1,589	1,620	1,524	1,449	1,614	(1.9)	(1.6)
Days Supply	64	73	69	58	70	(12.3)	(8.6)
Total Truck	2,327	2,409	2,325	2,233	2,156	(3.4)	7.9
Days Supply	72	87	85	69	67	(17.2)	7.5

**Sources:** 1) U.S. Department of Commerce, Bureau of Economic Analysis. 2) SAAR = Seasonally Adjusted at Annual Rates. 3) Michigan Department of Treasury, Office of Revenue and Tax Analysis and the Senate Fiscal Agency. 4) Automotive News, Crain Communications, Inc. (ending inventory)



OTHER KEY ECONOMIC INDICATORS

Variable	Latest Period	Actual Data			Percent Chng From	
		Latest Period	Previous Period	Year Ago	Previous Period*	Year Ago
<b>Weekly Leading Index</b> , monthly <sup>1)</sup> (1992=100)	Dec.	132.4	131.9	130.1	0.4%	1.8%
<b>Coincident Index</b> <sup>1)</sup> (1992=100)	Dec.	144.3	144.0	139.8	0.2	3.2
<b>Housing Starts, U.S.</b> <sup>2)</sup> (thousands of units, SAAR)	Dec.	2,004	1,807	2,067	10.9	(3.0)
<b>Retail Sales, U.S.</b> <sup>2)</sup> (billions, seasonally adjusted)	Dec.	\$316.1	\$312.0	\$290.5	1.3	8.8
<b>Industrial Production Index</b> 3) (1997=100, seasonally adjusted)	Dec.	117.8	116.8	112.9	0.8	4.4
<b>Capacity Utilization</b> <sup>3)</sup> (% of total capacity, seasonally adjusted)	Dec.	79.2	78.6	76.8	0.8	3.1
<b>Consumer Price Index</b> <sup>4)</sup> (1982-84=100)						
U.S. (seasonally adjusted)	Dec.	191.1	191.2	184.9	(0.6)	3.4
Detroit (not seasonally adjusted)	Dec.	185.3	187.6	182.5	(7.1)	1.5
<b>Interest Rates</b>						
3-month Treasury Bill <sup>3)</sup>	Dec.	2.19%	2.07%	0.90%	---	---
Corporate Aaa Bonds <sup>3)</sup>	Dec.	5.47%	5.52%	5.62%	---	---
<b>Real Gross Domestic Product</b> <sup>5)</sup> (billions of 2000 \$, SAAR, Chain-Weighted)	2004 4 <sup>th</sup> Qtr.	\$10,957.7	\$10,891.0	\$10,580.7	3.1	3.7
<b>Michigan Tax Collections</b> <sup>6)</sup> (12 major taxes, millions)	Dec. 2004	\$1,655.1	\$1,826.9	\$1,563.4	NM	5.9

SAAR = Seasonally Adjusted at Annual Rates. NM = Not Meaningful.

Revenue data vary greatly from month-to-month due to timing and other noneconomic factors.

\*Note: Percent changes from previous period for CPI and GDP at annual rate.

**Sources:** 1) Economic Cycle Research Institute 2) U.S. Department of Commerce, Bureau of the Census. 3) Board of Governors of the Federal Reserve System. 4) U.S. Department of Labor, Bureau of Labor Statistics. 5) U.S. Department of Commerce, Bureau of Economic Analysis. 6) Michigan Department of Treasury and the Senate Fiscal Agency.

